## **HOUSE BILL No. 1343**

### DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3-1-3.5.

**Synopsis:** Income tax deduction for dependents. Provides that a taxpayer may claim the \$1,500 additional dependent deduction for a dependent child for whom the taxpayer is the legal guardian. (Current law allows the additional dependent deduction to be claimed only for a child, stepchild, or foster child of the taxpayer.)

Effective: January 1, 2017.

# **DeLaney**

January 12, 2016, read first time and referred to Committee on Ways and Means.



#### Second Regular Session of the 119th General Assembly (2016)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in this style type, and deletions will appear in this style type.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or *this style type* reconciles conflicts between statutes enacted by the 2015 Regular Session of the General Assembly.

### **HOUSE BILL No. 1343**

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1	SECTION 1. IC 6-3-1-3.5, AS AMENDED BY P.L.250-2015,
2	SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3	JANUARY 1, 2017]: Sec. 3.5. When used in this article, the term
4	"adjusted gross income" shall mean the following:
5	(a) In the case of all individuals, "adjusted gross income" (as
6	defined in Section 62 of the Internal Revenue Code), modified as
7	follows:
8	(1) Subtract income that is exempt from taxation under this article
9	by the Constitution and statutes of the United States.
10	(2) Add an amount equal to any deduction or deductions allowed
11	or allowable pursuant to Section 62 of the Internal Revenue Code
12	for taxes based on or measured by income and levied at the state
13	level by any state of the United States.
14	(3) Subtract one thousand dollars (\$1,000), or in the case of a
15	joint return filed by a husband and wife, subtract for each spouse
16	one thousand dollars (\$1,000).
17	(4) Subtract one thousand dollars (\$1,000) for:



1	(A) each of the exemptions provided by Section 151(c) of the
2	Internal Revenue Code;
3	(B) each additional amount allowable under Section 63(f) of
4	the Internal Revenue Code; and
5	(C) the spouse of the taxpayer if a separate return is made by
6	the taxpayer and if the spouse, for the calendar year in which
7	the taxable year of the taxpayer begins, has no gross income
8	and is not the dependent of another taxpayer.
9	(5) Subtract:
10	(A) one thousand five hundred dollars (\$1,500) for each of the
11	exemptions allowed under Section 151(c)(1)(B) of the Internal
12	Revenue Code (as effective January 1, 2004); and
13	(B) one thousand five hundred dollars (\$1,500) for each
14	exemption allowed under Section 151(c) of the Internal
15	Revenue Code for an individual:
16	(i) who is less than nineteen (19) years of age or is a
17	full-time student who is less than twenty-four (24) years
18	of age;
19	(ii) for whom the taxpayer is the legal guardian; and
20	(iii) for whom the taxpayer does not claim an exemption
21	under clause (A); and
22	(B) (C) five hundred dollars (\$500) for each additional amount
23	allowable under Section 63(f)(1) of the Internal Revenue Code
24	if the adjusted gross income of the taxpayer, or the taxpayer
25	and the taxpayer's spouse in the case of a joint return, is less
26	than forty thousand dollars (\$40,000).
27	This amount is in addition to the amount subtracted under
28	subdivision (4).
29	(6) Subtract any amounts included in federal adjusted gross
30	income under Section 111 of the Internal Revenue Code as a
31	recovery of items previously deducted as an itemized deduction
32	from adjusted gross income.
33	(7) Subtract any amounts included in federal adjusted gross
34	income under the Internal Revenue Code which amounts were
35	received by the individual as supplemental railroad retirement
36	annuities under 45 U.S.C. 231 and which are not deductible under
37	subdivision (1).
38	(8) Subtract an amount equal to the amount of federal Social
39	Security and Railroad Retirement benefits included in a taxpayer's
40	federal gross income by Section 86 of the Internal Revenue Code.
41	(9) In the case of a nonresident taxpayer or a resident taxpayer
42	residing in Indiana for a period of less than the taxpayer's entire



1	taxable year, the total amount of the deductions allowed pursuant
2	to subdivisions (3), (4), and (5) shall be reduced to an amount
3	which bears the same ratio to the total as the taxpayer's income
4	taxable in Indiana bears to the taxpayer's total income.
5	(10) In the case of an individual who is a recipient of assistance
6	under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7,
7	subtract an amount equal to that portion of the individual's
8	adjusted gross income with respect to which the individual is not
9	allowed under federal law to retain an amount to pay state and
10	local income taxes.
11	(11) In the case of an eligible individual, subtract the amount of
12	a Holocaust victim's settlement payment included in the
13	individual's federal adjusted gross income.
14	(12) Subtract an amount equal to the portion of any premiums
15	paid during the taxable year by the taxpayer for a qualified long
16	term care policy (as defined in IC 12-15-39.6-5) for the taxpayer
17	or the taxpayer's spouse, or both.
18	(13) Subtract an amount equal to the lesser of:
19	(A) two thousand five hundred dollars (\$2,500); or
20	(B) the amount of property taxes that are paid during the
21	taxable year in Indiana by the individual on the individual's
22	principal place of residence.
21 22 23 24	(14) Subtract an amount equal to the amount of a September 11
24	terrorist attack settlement payment included in the individual's
25	federal adjusted gross income.
26 27	(15) Add or subtract the amount necessary to make the adjusted
27	gross income of any taxpayer that owns property for which bonus
28	depreciation was allowed in the current taxable year or in an
29	earlier taxable year equal to the amount of adjusted gross income
30	that would have been computed had an election not been made
31	under Section 168(k) of the Internal Revenue Code to apply bonus
32	depreciation to the property in the year that it was placed in
33	service.
34	(16) Add an amount equal to any deduction allowed under
35	Section 172 of the Internal Revenue Code.
36	(17) Add or subtract the amount necessary to make the adjusted
37	gross income of any taxpayer that placed Section 179 property (as
38	defined in Section 179 of the Internal Revenue Code) in service
39	in the current taxable year or in an earlier taxable year equal to
40	the amount of adjusted gross income that would have been

computed had an election for federal income tax purposes not

been made for the year in which the property was placed in



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1	service to take deductions under Section 179 of the Internal
2 3	Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).
4	(18) Add an amount equal to the amount that a taxpayer claimed
5	as a deduction for domestic production activities for the taxable
6	year under Section 199 of the Internal Revenue Code for federal
7	income tax purposes.
8	(19) Subtract an amount equal to the amount of the taxpayer's
9	qualified military income that was not excluded from the
10	taxpayer's gross income for federal income tax purposes under
11	Section 112 of the Internal Revenue Code.
12	(20) Subtract income that is:
13	(A) exempt from taxation under IC 6-3-2-21.7; and
14	(B) included in the individual's federal adjusted gross income
15	under the Internal Revenue Code.
16	(21) Add an amount equal to any income not included in gross
17	income as a result of the deferral of income arising from business
18	indebtedness discharged in connection with the reacquisition after
19	December 31, 2008, and before January 1, 2011, of an applicable
20	debt instrument, as provided in Section 108(i) of the Internal
21	Revenue Code. Subtract the amount necessary from the adjusted
22	gross income of any taxpayer that added an amount to adjusted
23	gross income in a previous year to offset the amount included in
24	federal gross income as a result of the deferral of income arising
25	from business indebtedness discharged in connection with the
26	reacquisition after December 31, 2008, and before January 1,
27	2011, of an applicable debt instrument, as provided in Section
28	108(i) of the Internal Revenue Code.
29	(22) Add the amount excluded from federal gross income under
30 31	Section 103 of the Internal Revenue Code for interest received on
32	an obligation of a state other than Indiana, or a political
33	subdivision of such a state, that is acquired by the taxpayer after
34	December 31, 2011.  (b) In the case of compensions, the same as "toyable income" (as
35	(b) In the case of corporations, the same as "taxable income" (as defined in Section 63 of the Internal Revenue Code) adjusted as
36	follows:
37	(1) Subtract income that is exempt from taxation under this article
38	by the Constitution and statutes of the United States.
39	(2) Add an amount equal to any deduction or deductions allowed
40	or allowable pursuant to Section 170 of the Internal Revenue
41	Code.
42	(3) Add an amount equal to any deduction or deductions allowed
	(5) I tad an amount equal to any addition of additions anowed



1 2	or allowable pursuant to Section 63 of the Internal Revenue Code for taxes based on or measured by income and levied at the state
3	level by any state of the United States.
4	(4) Subtract an amount equal to the amount included in the
5	corporation's taxable income under Section 78 of the Internal
6	Revenue Code.
7	(5) Add or subtract the amount necessary to make the adjusted
8	gross income of any taxpayer that owns property for which bonus
9	depreciation was allowed in the current taxable year or in an
10	earlier taxable year equal to the amount of adjusted gross income
11	that would have been computed had an election not been made
12	under Section 168(k) of the Internal Revenue Code to apply bonus
13	depreciation to the property in the year that it was placed in
14	service.
15	(6) Add an amount equal to any deduction allowed under Section
16	172 of the Internal Revenue Code.
17	(7) Add or subtract the amount necessary to make the adjusted
18	gross income of any taxpayer that placed Section 179 property (as
19	defined in Section 179 of the Internal Revenue Code) in service
20	in the current taxable year or in an earlier taxable year equal to
21	the amount of adjusted gross income that would have been
22	computed had an election for federal income tax purposes not
23	been made for the year in which the property was placed in
24	service to take deductions under Section 179 of the Internal
21 22 23 24 25	Revenue Code in a total amount exceeding twenty-five thousand
26	dollars (\$25,000).
27	(8) Add an amount equal to the amount that a taxpayer claimed as
28	a deduction for domestic production activities for the taxable year
29	under Section 199 of the Internal Revenue Code for federal
30	income tax purposes.
31	(9) Add to the extent required by IC 6-3-2-20 the amount of
32	intangible expenses (as defined in IC 6-3-2-20) and any directly
33	related intangible interest expenses (as defined in IC 6-3-2-20) for
34	the taxable year that reduced the corporation's taxable income (as
35	defined in Section 63 of the Internal Revenue Code) for federal
36	income tax purposes.
37	(10) Add an amount equal to any deduction for dividends paid (as
38	defined in Section 561 of the Internal Revenue Code) to
39	shareholders of a captive real estate investment trust (as defined
40	in section 34.5 of this chapter).
41	(11) Subtract income that is:

(A) exempt from taxation under IC 6-3-2-21.7; and



1	(B) included in the corporation's taxable income under the
2	Internal Revenue Code.
3	(12) Add an amount equal to any income not included in gross
4	income as a result of the deferral of income arising from business
5	indebtedness discharged in connection with the reacquisition after
6	December 31, 2008, and before January 1, 2011, of an applicable
7	debt instrument, as provided in Section 108(i) of the Internal
8	Revenue Code. Subtract from the adjusted gross income of any
9	taxpayer that added an amount to adjusted gross income in a
10	previous year the amount necessary to offset the amount included
11	in federal gross income as a result of the deferral of income
12	arising from business indebtedness discharged in connection with
13	the reacquisition after December 31, 2008, and before January 1,
14	2011, of an applicable debt instrument, as provided in Section
15	108(i) of the Internal Revenue Code.
16	(13) Add the amount excluded from federal gross income under
17	Section 103 of the Internal Revenue Code for interest received on
18	an obligation of a state other than Indiana, or a political
19	subdivision of such a state, that is acquired by the taxpayer after
20	December 31, 2011.
21	(c) In the case of life insurance companies (as defined in Section
22	816(a) of the Internal Revenue Code) that are organized under Indiana
23	law, the same as "life insurance company taxable income" (as defined
24	in Section 801 of the Internal Revenue Code), adjusted as follows:
25	(1) Subtract income that is exempt from taxation under this article
26	by the Constitution and statutes of the United States.
27	(2) Add an amount equal to any deduction allowed or allowable
28	under Section 170 of the Internal Revenue Code.
29	(3) Add an amount equal to a deduction allowed or allowable
30	under Section 805 or Section 832(c) of the Internal Revenue Code
31	for taxes based on or measured by income and levied at the state
32	level by any state.
33	(4) Subtract an amount equal to the amount included in the
34	company's taxable income under Section 78 of the Internal
35	Revenue Code.
36	(5) Add or subtract the amount necessary to make the adjusted
37	gross income of any taxpayer that owns property for which bonus
38	depreciation was allowed in the current taxable year or in an
39	earlier taxable year equal to the amount of adjusted gross income
40	that would have been computed had an election not been made
41	under Section 168(k) of the Internal Revenue Code to apply bonus
42	depreciation to the property in the year that it was placed in



1	service.
2	(6) Add an amount equal to any deduction allowed under Section
3	172 or Section 810 of the Internal Revenue Code.
4	(7) Add or subtract the amount necessary to make the adjusted
5	gross income of any taxpayer that placed Section 179 property (as
6	defined in Section 179 of the Internal Revenue Code) in service
7	in the current taxable year or in an earlier taxable year equal to
8	the amount of adjusted gross income that would have been
9	computed had an election for federal income tax purposes not
10	been made for the year in which the property was placed in
11	service to take deductions under Section 179 of the Internal
12	Revenue Code in a total amount exceeding twenty-five thousand
13	dollars (\$25,000).
14	(8) Add an amount equal to the amount that a taxpayer claimed as
15	a deduction for domestic production activities for the taxable year
16	under Section 199 of the Internal Revenue Code for federal
17	income tax purposes.
18	(9) Subtract income that is:
19	(A) exempt from taxation under IC 6-3-2-21.7; and
20	(B) included in the insurance company's taxable income under
21	the Internal Revenue Code.
22	(10) Add an amount equal to any income not included in gross
23	income as a result of the deferral of income arising from business
24	indebtedness discharged in connection with the reacquisition after
25	December 31, 2008, and before January 1, 2011, of an applicable
26	debt instrument, as provided in Section 108(i) of the Internal
27	Revenue Code. Subtract from the adjusted gross income of any
28	taxpayer that added an amount to adjusted gross income in a
29	previous year the amount necessary to offset the amount included
30	in federal gross income as a result of the deferral of income
31	arising from business indebtedness discharged in connection with
32	the reacquisition after December 31, 2008, and before January 1,
33	2011, of an applicable debt instrument, as provided in Section
34	108(i) of the Internal Revenue Code.
35	(11) Add an amount equal to any exempt insurance income under
36	Section 953(e) of the Internal Revenue Code that is active
37	financing income under Subpart F of Subtitle A, Chapter 1,
38	Subchapter N of the Internal Revenue Code.
39	(12) Add the amount excluded from federal gross income under
40	Section 103 of the Internal Revenue Code for interest received on
41	an obligation of a state other than Indiana, or a political
42	subdivision of such a state, that is acquired by the taxpayer after



1	December 31, 2011.
2	(d) In the case of insurance companies subject to tax under Section
3	831 of the Internal Revenue Code and organized under Indiana law, the
4	same as "taxable income" (as defined in Section 832 of the Internal
5	Revenue Code), adjusted as follows:
6	(1) Subtract income that is exempt from taxation under this article
7	by the Constitution and statutes of the United States.
8	(2) Add an amount equal to any deduction allowed or allowable
9	under Section 170 of the Internal Revenue Code.
10	(3) Add an amount equal to a deduction allowed or allowable
11	under Section 805 or Section 832(c) of the Internal Revenue Code
12	for taxes based on or measured by income and levied at the state
13	level by any state.
14	(4) Subtract an amount equal to the amount included in the
15	company's taxable income under Section 78 of the Internal
16	Revenue Code.
17	(5) Add or subtract the amount necessary to make the adjusted
18	gross income of any taxpayer that owns property for which bonus
19	depreciation was allowed in the current taxable year or in an
20	earlier taxable year equal to the amount of adjusted gross income
21	that would have been computed had an election not been made
22	under Section 168(k) of the Internal Revenue Code to apply bonus
23	depreciation to the property in the year that it was placed in
24	service.
25	(6) Add an amount equal to any deduction allowed under Section
26	172 of the Internal Revenue Code.
27	(7) Add or subtract the amount necessary to make the adjusted
28	gross income of any taxpayer that placed Section 179 property (as
29	defined in Section 179 of the Internal Revenue Code) in service
30	in the current taxable year or in an earlier taxable year equal to
31	the amount of adjusted gross income that would have been
32	computed had an election for federal income tax purposes not
33	been made for the year in which the property was placed in
34	service to take deductions under Section 179 of the Internal
35	Revenue Code in a total amount exceeding twenty-five thousand
36	dollars (\$25,000).
37	(8) Add an amount equal to the amount that a taxpayer claimed as
38	a deduction for domestic production activities for the taxable year
39	under Section 199 of the Internal Revenue Code for federal
40	income tax purposes.
41	(9) Subtract income that is:

(A) exempt from taxation under IC 6-3-2-21.7; and



1	(B) included in the insurance company's taxable income under
2	the Internal Revenue Code.
3	(10) Add an amount equal to any income not included in gross
4	income as a result of the deferral of income arising from business
5	indebtedness discharged in connection with the reacquisition after
6	December 31, 2008, and before January 1, 2011, of an applicable
7	debt instrument, as provided in Section 108(i) of the Internal
8	Revenue Code. Subtract from the adjusted gross income of any
9	taxpayer that added an amount to adjusted gross income in a
10	previous year the amount necessary to offset the amount included
11	in federal gross income as a result of the deferral of income
12	arising from business indebtedness discharged in connection with
13	the reacquisition after December 31, 2008, and before January 1,
14	2011, of an applicable debt instrument, as provided in Section
15	108(i) of the Internal Revenue Code.
16	(11) Add an amount equal to any exempt insurance income under
17	Section 953(e) of the Internal Revenue Code that is active
18	financing income under Subpart F of Subtitle A, Chapter 1,
19	Subchapter N of the Internal Revenue Code.
20	(12) Add the amount excluded from federal gross income under
21	Section 103 of the Internal Revenue Code for interest received on
22	an obligation of a state other than Indiana, or a political
23	subdivision of such a state, that is acquired by the taxpayer after
24	December 31, 2011.
25	(e) In the case of trusts and estates, "taxable income" (as defined for
26	trusts and estates in Section 641(b) of the Internal Revenue Code)
27	adjusted as follows:
28	(1) Subtract income that is exempt from taxation under this article
29	by the Constitution and statutes of the United States.
30	(2) Subtract an amount equal to the amount of a September 11
31	terrorist attack settlement payment included in the federal
32	adjusted gross income of the estate of a victim of the September
33	11 terrorist attack or a trust to the extent the trust benefits a victim
34	of the September 11 terrorist attack.
35	(3) Add or subtract the amount necessary to make the adjusted
36	gross income of any taxpayer that owns property for which bonus
37	depreciation was allowed in the current taxable year or in an
38	earlier taxable year equal to the amount of adjusted gross income
39	that would have been computed had an election not been made
40	under Section 168(k) of the Internal Revenue Code to apply bonus
41	depreciation to the property in the year that it was placed in



service.

1	(4) Add an amount equal to any deduction allowed under Section
2	172 of the Internal Revenue Code.
3	(5) Add or subtract the amount necessary to make the adjusted
4	gross income of any taxpayer that placed Section 179 property (as
5	defined in Section 179 of the Internal Revenue Code) in service
6	in the current taxable year or in an earlier taxable year equal to
7	the amount of adjusted gross income that would have been
8	computed had an election for federal income tax purposes not
9	been made for the year in which the property was placed in
10	service to take deductions under Section 179 of the Internal
11	Revenue Code in a total amount exceeding twenty-five thousand
12	dollars (\$25,000).
13	(6) Add an amount equal to the amount that a taxpayer claimed as
14	a deduction for domestic production activities for the taxable year
15	under Section 199 of the Internal Revenue Code for federal
16	income tax purposes.
17	(7) Subtract income that is:
18	(A) exempt from taxation under IC 6-3-2-21.7; and
19	(B) included in the taxpayer's taxable income under the
20	Internal Revenue Code.
21	(8) Add an amount equal to any income not included in gross
22	income as a result of the deferral of income arising from business
23	indebtedness discharged in connection with the reacquisition after
24	December 31, 2008, and before January 1, 2011, of an applicable
25	debt instrument, as provided in Section 108(i) of the Internal
26	Revenue Code. Subtract from the adjusted gross income of any
27	taxpayer that added an amount to adjusted gross income in a
28	previous year the amount necessary to offset the amount included
29	in federal gross income as a result of the deferral of income
30	arising from business indebtedness discharged in connection with
31	the reacquisition after December 31, 2008, and before January 1,
32	2011, of an applicable debt instrument, as provided in Section
33	108(i) of the Internal Revenue Code.
34	(9) Add the amount excluded from federal gross income under
35	Section 103 of the Internal Revenue Code for interest received on
36	an obligation of a state other than Indiana, or a political
37	subdivision of such a state, that is acquired by the taxpayer after
38	December 31, 2011.
39	SECTION 2. [EFFECTIVE JANUARY 1, 2017] (a) IC 6-3-1-3.5,
40	as amended by this act, applies to taxable years beginning after
41	December 31, 2016.

(b) This SECTION expires January 1, 2020.

